

coinbase

Please note that One River Digital, a subsidiary of One River Asset Management, was acquired by Coinbase as of March 3, 2023. Read more [here](#).

One River Digital Pulse



13 April 2023

One River Digital
Research

Weekly Pulse: From Paper to Digital

From Paper to Digital: Nobody likes paper checks. They are cumbersome, pose security risks, and can be a menace when dealing with thousands of transactions. As the rate of transactions continued to increase in the 1970s, the Automated Clearing House (ACH) was ushered in to alleviate paper bottlenecks. While the ACH started with limited functionality, it became a bedrock of the U.S. payment network, clearing [\\$72 trillion](#) in 2022 alone. But with global digitalization, interoperable payment channels that facilitate boundless micro-transactions at a mass scale become necessary. The ACH becomes due for an upgrade. Can Digital Ledger Technologies (DLTs) be the new payment construct? Certainly. DLTs, like blockchain, provide transparency, scalability, and portable digital identities through Decentralized Identifiers (DIDs). The Digital [Pulse](#) scores indicate the trend – bitcoin transfers have consistently risen since inception, and innovation has grown to meet the growing demand. The Bitcoin Lightning Network is one, processing transactions through payment channels for near-instant and near-costless transactions. The working dynamo of DIDs and the Bitcoin Lightning Network could stand as a critical piece in this digital age and next. Peer-to-peer transactions at their finest.

coinbase ASSET MANAGEMENT

One River Digital Asset Management has been acquired by Coinbase and is now Coinbase Asset Management. Additional details on the transaction may be found on the [Coinbase blog](#). References to One River Asset Management and One River Digital Asset Management may be contained herein during the transition period but are subject to change.

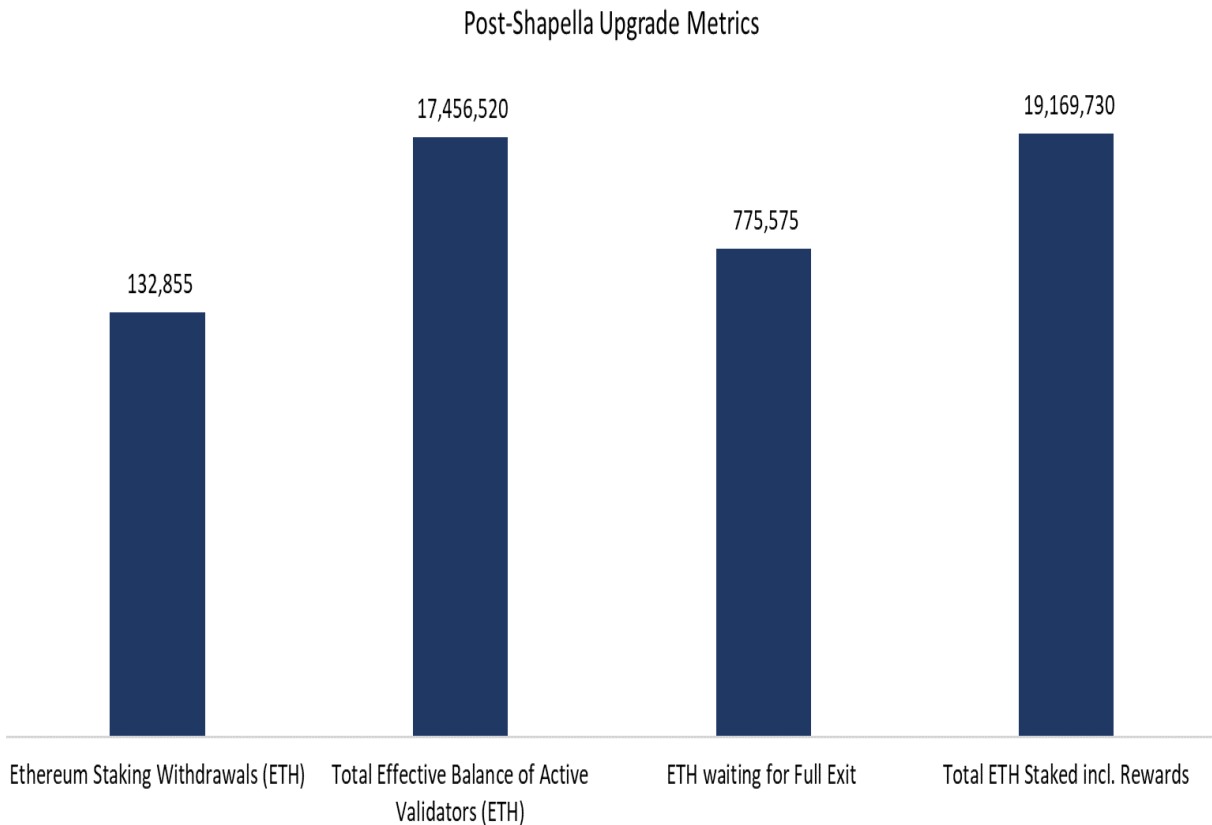
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WEEKLY BEATS

1. Chart of the Week – Shapella is Complete
2. Fundamental Pulse – Neutral
3. Blockchain’s Edge in Payments
4. Growing Lightning Network Capacity
5. Economic Value on the Lightning Network

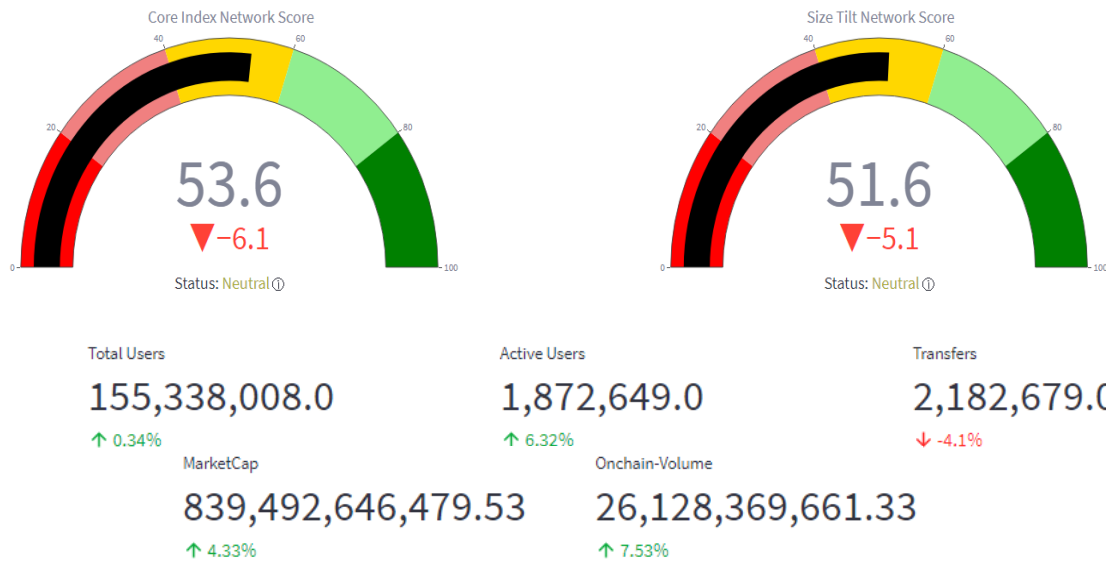
1. SHAPELLA IS COMPLETE

Ethereum’s Shapella Upgrade is complete, and its functioning. Market impact so far has been minimal, with total withdrawals at approximately \$252 million with a further \$1.4 billion in the queue to be withdrawn through 8.00 ET.



Source: Nansen.ai

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Network activity on the Pulse has declined, despite the positive price action over the past week. While the Indices remain positive for the year, the transfer activity slowdown has dropped Pulse scores levels to levels seen right before the March banking crisis.

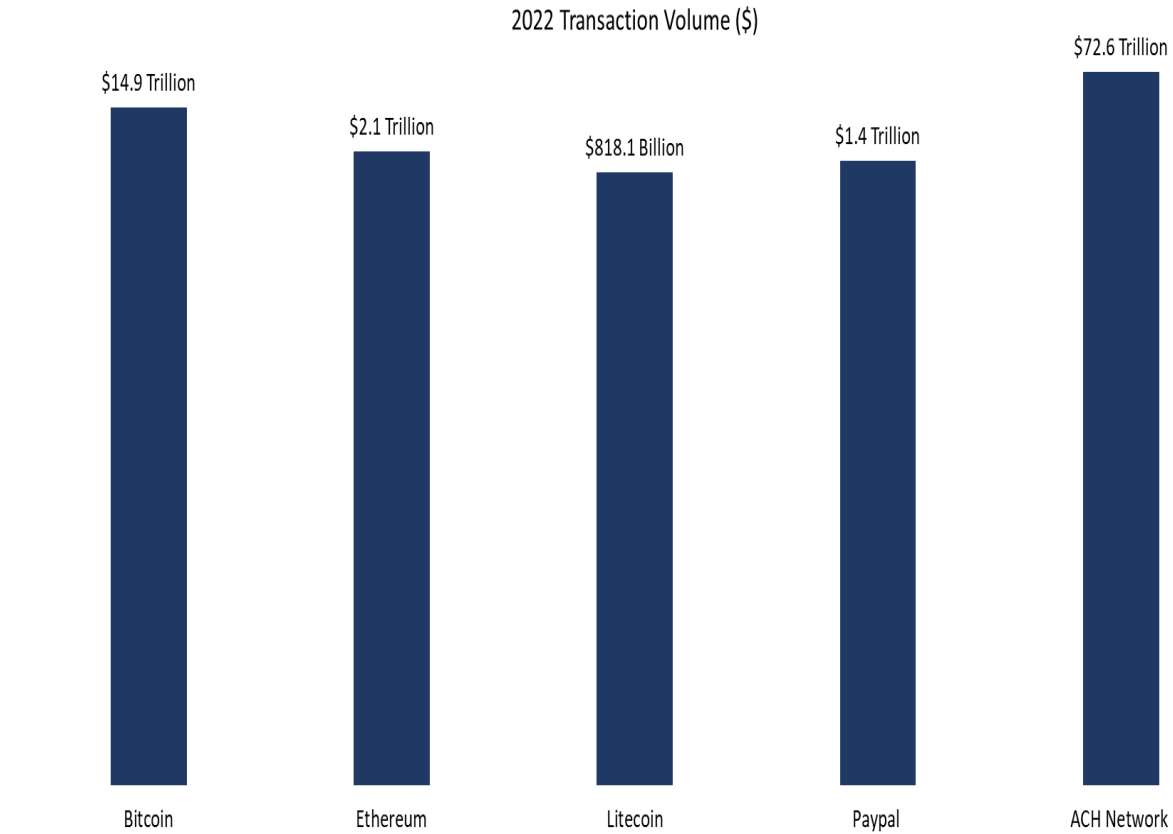
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	53	-6	-7	25	61	63	51	35	45	94
Size Tilt	51	-5	-7	30	50	54	47	40	46	91
Bitcoin	56	-7	-8	21	75	70	52	32	40	100
Ethereum	50	-5	-3	28	36	57	51	38	58	82
Cardano	51	5	-10	52	41	34	51	58	23	100
Polygon	30	-3	-20	15	14	16	30	28	45	60
Litecoin	54	-6	-4	81	12	17	19	83	62	100

*Snapshot from the One River Digital Pulse on 4/13/2023. Seven-day change in the Core and Size-Tilt Index Scores.

Notes: Status- High > 60, Neutral 40 to 60, Low < 40. A score of 54.5 means the Index value is better than 54.5% of its values in the past 365 days. Index scores exclude Solana, Cosmos, and Polkadot due to incomplete data coverage.

3. BLOCKCHAIN'S EDGE IN PAYMENTS

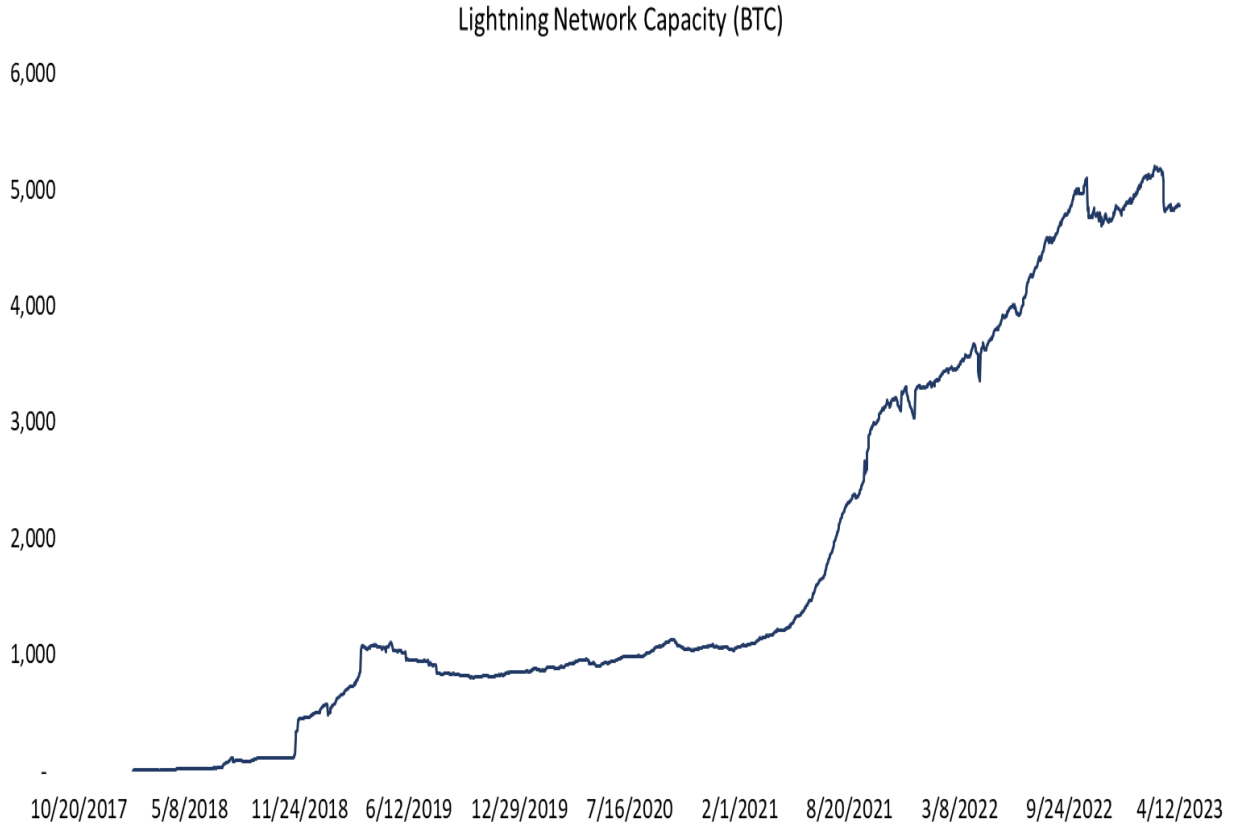
The ACH Network has served as the dominant payment platform in the US for half a century. Rapid innovations and transaction demand have warranted an upgrade. While FedNow may work out to be an indirect replacement, decentralized networks like Bitcoin offer competitive advantages for merchants. Some are the reduced reliance on centralized parties, lower transaction fees, and a global reach.



Source: Coin Metrics. Business of Apps. Nacha.

4. GROWING LIGHTNING NETWORK CAPACITY

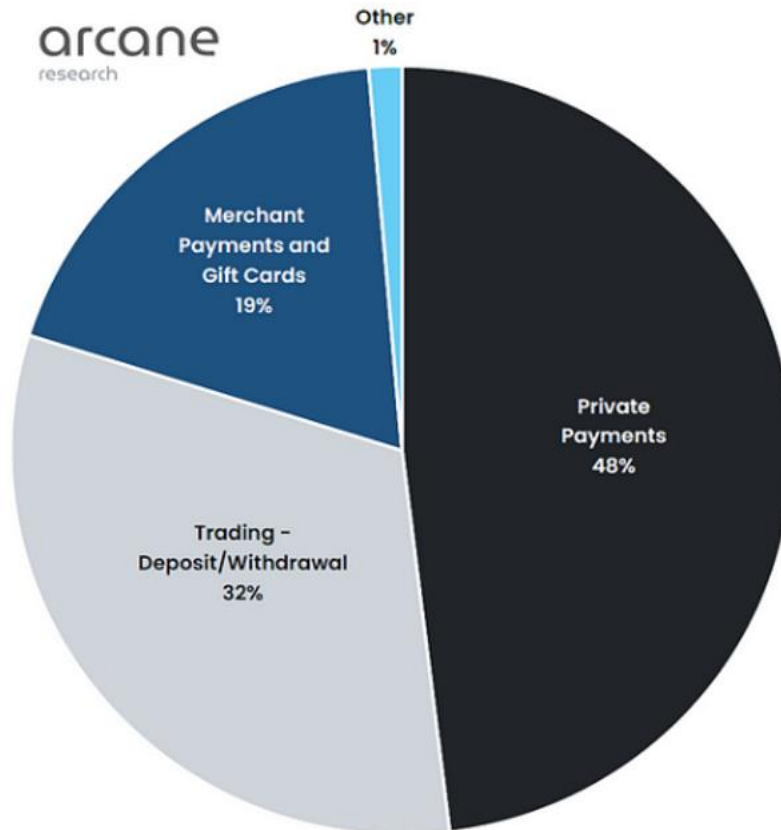
The Lightning Network has continued to expand its capacity from about 3 BTC in 2018 to 4.8k BTC today. To accommodate even larger transactions, developers continue to progress on implementing [channel factories](#) and [submarine swaps](#).



Source: Token Terminal. Earnings = Revenue – Token Incentives (Protocol governance tokens distributed to users).

5. ECONOMIC VALUE ON THE LIGHTNING NETWORK

Data from Arcane Research demonstrates that the Lightning Network's usage for day-to-day transactions. However, the liquidity requirements in opening a Lightning channel are a challenge to overcome for wider acceptance. Innovative solutions are on the horizon. [Lightspark](#), as an example, utilizes artificial intelligence to aid merchants in optimizing their liquidity needs. Individual entities could also provide liquidity to merchants at marketplaces like [Magma](#).



Source: Arcane Research (2022).

Metric Definitions

1. Volume – The aggregated value of native units transferred between addresses on-chain.

2. Transfer Count – The sum count of transfers between addresses. It becomes more valuable when used in conjunction with Volume.

2.1 Low Transfer Count & High Volume: High volume but transferred by a few addresses.

2.2 High Transfer Count & Lower Volume - Indicates higher retail activity or exchanges amongst small accounts.

2.3 Lower Transfer Count & Lower Volume: Indicates slower network usage and low network demand.

2.4 High Transfer Count & Higher Volume- indicates high network usage. A persistent trend is substantial.

3. Active Users: Number of addresses active in the network as recipients or originators of ledger change. This includes value transfers, signing blocks, and other forms of ledger change activity.

3.1 High Value: High network usage and high demand.

3.2 Low Value: Low network usage and low demand.

4. User Growth Rate: The rate at which new addresses with non-zero balances are added to the network.

4.1 High Value: Indicates users being added to the network at an increasing rate.

4.2 Low Value: Indicates users being added to the network at a slower pace.

5. Valuation: This metric compares the on-chain volume to the realized capitalization representing the value of the network. Realized capitalization is a revised form of market capitalization that accounts for the value of the coin at the time the coin was last spent. A lower volume compared to the high value of the network indicates the network could be overvalued and vice versa.

5.1 High Value: Indicates the network is closer to its real value based on the on-chain volume.

5.2 Low Value: Indicates the network is very close to being overvalued considering the activity on the network.

5.3 Medium value: Asset is reasonably valued—sustainable demand for transactions.

6. Velocity –This indicator shows the turnover of coins in the network as measured by on-chain volume divided by active supply. The primary use of this metric in this instance is to help assess an asset’s market-relevant supply.

6.1 High Value: There is greater circulation of coins in the network and use for payments.

6.2 Lower Value: There is lower circulation of coins in the network and use for payments.

7. Network distribution – The metric used, the SER ratio, compares the smallest accounts (sum held by accounts with a balance less than 0.00001% of the supply) against the richest accounts (sum held by the top 1% addresses).

7.1 High value: Signifies high distribution of supply and higher decentralization.

7.2 Low value: Low supply distribution and heavy concentration amongst a few wallets.

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